

CRS Report for Congress

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Block Grants: An Overview

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Summary

Block grants are a form of grant-in-aid that Congress distributes to state and local governments to address broad purposes, such as community development or law enforcement. In fiscal year 1999, \$42 billion out of the total of \$267 billion in grants-in-aid was appropriated in the form of block grants. Recipients have discretion in identifying problems in the functional area and in using federal funds to address those problems. For most block grants, such as the Community Development Block Grant, Congress prescribes formulas in the authorizing legislation for distributing the funds. For a few grants, Congress gives authority for the method for distribution of funds to federal executive agencies, such as with the discretionary portion of the Byrne law enforcement grant program. Block grants typically have minimal reporting requirements to reduce the administrative burden placed on recipients.

Proponents of block grants argue these programs achieve several objectives, specifically they:

- ! promote flexibility in the use of funds;
- ! provide predictable sources of funds facilitating long-term planning;
- ! encourage innovation and experimentation by states with new state programs; and
- ! allow recipients to prioritize their goals.

Block grant critics argue these programs have shortcomings, including:

- ! few data collection and reporting requirements, which could lead to lack of accountability;
- ! less funding for block grants than the categorical programs they replace; and
- ! recipients may substitute federal funds for their own financial contribution to the activity.

Recent block grants include the 104th Congress's conversion of the open-ended-entitlement Aid to Families with Dependent Children (49 Stat. 620) to the capped block grant Temporary Assistance to Needy Families (110 Stat. 2105). In 1998, Congress passed the Workforce Investment Act (112 Stat. 936). This act replaces the Job Training Partnership Act (96 Stat. 1322) as the nation's chief training mechanism. WIA has some programmatic differences from JTPA, but distributes funds to states using a need-based formula similar to the one used under JTPA. During the 105th and 106th Congresses, there have been proposals for new block grants, most notably in the fields of education and homeless assistance.

Should Congress decide to create or modify block grant programs, a better understanding of the structural characteristics, as well as the arguments for and against block grants, will help legislators achieve desired outcomes.

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Block Grants: An Overview

Structure and Characteristics

Block grants—for which there is no precise legal definition—are a form of grant-in-aid that Congress distributes to state and local governments to help them address broad purposes, such as community development or law enforcement.¹ Block grants give recipients considerable discretion in identifying problems and using federal funds to address those problems. For most block grants, such as the Community Development Block Grant, Congress prescribes formulas for allocating funds in the authorizing statute. For a few grant programs, Congress passes authority for the method for distributing funds to federal executive agencies, such as with the discretionary portion of the Byrne law enforcement grant program. Block grants typically have minimal reporting requirements to reduce the administrative burden placed on recipients.

Block grants are the midpoint of the spectrum of grants-in-aid, ranging from categorical grants on the one hand to general revenue sharing on the other. Categorical grants have a narrow range of eligible activities. Recipients may only use these grants for a specific purpose, activity, or service. At the other end of the spectrum was revenue sharing, the broadest type of grant-in-aid.² Revenue sharing distributed federal funds to states and localities with no programmatic strings, giving the broadest range of eligible activities.³

Why Block Grants?

Proponents of block grants list several objectives of these programs. One objective is flexibility for recipients in the use of funds. Since block grants allow a wide range of eligible activities to be undertaken within a given subject area, recipients have discretion in determining what activities to undertake with block grants funds. Proponents also argue that block grants promote long-term planning. Block grants use formulas to distribute funds, allowing recipients to predict the amount of their grant and to create long-range plans for the grant funds. Another objective is encouraging states to innovate and experiment with new programs and services. The flexibility afforded to states and localities under block grant programs

¹Although most block grants are distributed to state and local governments, some are awarded to regional governmental units called metropolitan planning organizations (MPOs).

²Revenue sharing distributed funds to states from 1972-1981 and to localities from 1972-1986. The federal government currently has no revenue sharing program.

³U.S. Advisory Commission on Intergovernmental Relations, *Block Grants: A Comparative Analysis*, (Washington: GPO, 1977), p. 6.

allows them to attempt new approaches to governmental challenges.⁴ Another objective of block grants is to address what some observers believe is duplication of program goals among categorical grant programs. Proponents believe that block grants eliminate this duplication by consolidating categorical grant activities, and by giving states and localities the ability to set their own priorities and allocate funds accordingly.

Critics of block grants counter that these programs have shortcomings, including a lack of accountability. Many of the programs have few data collection and reporting requirements, minimizing the administrative burden on state and local government recipients. This absence of strong federal oversight and review, however, makes it difficult for program evaluators to ascertain if funds are being used properly, and if the program is accomplishing its intended goals.⁵ More recently enacted block grants, like Temporary Assistance to Needy Families (TANF) have included performance incentives that reward states for documented improvements.

Another argument against block grants is that funding for block programs will diminish, as it is thought to be more difficult to get support for broad purpose programs run by the states than for categorical programs aimed at specific purposes. On the whole, however, this argument has not been supported by the data. While the funding amount for a few grant programs has decreased over time, such as with the Social Services Block Grant, the funding amount for most block grant programs has remained stable or increased, as measured in current dollars.

Critics of block grants also contend that recipients may use block funds to substitute for their own financial contribution to an activity. Congress addresses this concern by including maintenance-of-effort provisions in grant programs, which require recipients to maintain the level of funding for an activity that existed before receiving federal funds. For example, Congress includes a provision for the Community Development Block Grant that states:

It is the intent of Congress that the Federal assistance made available under this chapter not be utilized to reduce substantially the amount of local financial support for community development activities below the level of such support prior to the availability of such assistance.⁶

Proponents of block grants argue that these programs adequately target funds to jurisdictions with the greatest need. This is done by including objective indicators of need in the distribution formula. Block grant critics, however, contest that the programs do not adequately target needy jurisdictions. One reason is that some formulas contain fewer targeted indicators of need, such as population, rather than specific indicators. Critics also argue that program flexibility gives recipients discretion to neglect the interests of certain geographic areas, or regions that lack political clout.

⁴*Ibid.*, pp. 8-11.

⁵U.S. General Accounting Office, *Block Grants: Characteristics, Experience, and Lessons Learned*, GAO report GAO/HEHS-95-74 (Washington: Feb. 1995), p. 7.

⁶42 U.S.C. 5301(c)

When Are Block Grants Desirable?

Since the enactment of the first block grant in 1966, analysts and policy makers have tried to identify the circumstances where block grants are most desirable and circumstances where categorical programs should be consolidated into block grant programs. One analyst suggested that block grants should be used under the following conditions:

- ! when the federal government desires to supplement service levels in certain broad program areas traditionally provided under state and local jurisdiction;
- ! when broad national objectives are consistent with state and local program objectives;
- ! when the federal government seeks to establish nationwide minimum levels of service in those areas;
- ! when the federal government is satisfied that state and local governments know best how to set subordinate priorities and administer the program.⁷

In the past, Congress has consolidated categorical grant programs to create new block grants. The now-defunct Advisory Commission on Intergovernmental Relations (ACIR) listed conditions appropriate for the termination or consolidation of categorical programs:

- ! categorical programs that are too small to have much impact or to be worth the cost of administration;
- ! programs that do not embody essential and clear national objectives;
- ! programs that get (or could get) most of their funding from state and local governments, or from fees for services, or that could be shifted to the private sector;⁸ and
- ! functional areas including health, education, and social services, that have a large number of programs; or functional areas including justice, natural resources, and occupational health and safety, that have the highest fragmentation indexes. As defined by ACIR, the fragmentation index measures the percentage of grant programs in a functional category (i.e., housing, transportation, and job training) relative to the percentage of federal funding allocated to programs in the functional category.⁹

⁷U.S. Congress. Joint Economic Committee, *Block Grants and the Intergovernmental System*, hearing, 97th Congress, 1st sess., July 15, 22, 1981 (Washington: GPO, 1981), pp. 47-48.

⁸U.S. Advisory Commission on Intergovernmental Relations, *An Agenda for American Federalism: Restoring Confidence and Competence* (Washington: GPO, 1981), pp. 111-112.

⁹U.S. Advisory Commission on Intergovernmental Relations, *Federal Grant Programs in Fiscal Year 1982: Their Numbers, Sizes, and Fragmentation Indexes in Historical Perspective* (Washington: GPO, 1993), p. 2.

Brief History of Block Grants

Although the first recommendation for block grants came from the Hoover Commission in 1949, Congress did not create the first block grant until 1966—The Partnership for Public Health.¹⁰ During the administration of President Richard M. Nixon, the 93rd Congress created two block grants, the Comprehensive Employment and Training Act of 1973 (CETA) and the Community Development Block Grant (CDBG) program, enacted in 1974.¹¹ The administration of President Ronald Reagan successfully pushed for the creation of additional block grants. The Omnibus Budget Reconciliation Act of 1981 consolidated 77 categorical programs into eight new block grants. The Reagan Administration viewed block grants as a first step in devolving greater power to state and local governments. The Administration's objective was not to make the federal government more efficient, which was the motivation behind the block grants created under the Nixon administration, but to reduce the federal government's involvement in what it considered the policy domain of states and localities.¹² President Reagan attested to this view in his first Inaugural Address, declaring:

It is time to check and reverse the growth of government which shows signs of having grown beyond the consent of the governed. It is my intention to curb the size and influence of the federal establishment and to demand recognition of the distinction between the powers granted to the federal government and those reserved to the states or to the people.¹³

In the 1990s, the 104th Congress proposed many changes that would have consolidated more categorical programs into block grants, but few were enacted. One of the most significant changes passed by the 104th Congress was the conversion of the open-ended entitlement grant, Aid to Families with Dependent Children (AFDC)¹⁴ to a capped block grant called Temporary Assistance to Needy Families (TANF).¹⁵ The 105th Congress enacted the Workforce Investment Act of 1998 (WIA).¹⁶ This Act is the latest version of the nation's chief federal job training legislation. WIA replaces the Job Training Partnership Act (JTPA)¹⁷ which replaced

¹⁰David B. Walker, *The Rebirth of Federalism: Slouching Toward Washington* (Chatham, NJ: Chatham House Publishers Inc., 1995), pp. 70-71.

¹¹Timothy Conlan, *From New Federalism to Devolution: Twenty-five Years of Intergovernmental Reform* (Washington: Brookings Institution Press, 1998), pp. 19-21.

¹²*Ibid.*, 142-144.

¹³U.S. President (Reagan), "Inaugural Address," *Public Papers of the Presidents of The United States*, January 20, 1981 (Washington: U.S. GPO, 1982) p. 2.

¹⁴49 Stat. 620.

¹⁵110 Stat. 2105.

¹⁶112 Stat. 936.

¹⁷96 Stat. 1322.

CETA¹⁸ in 1982. WIA has some programmatic differences from JTPA, but distributes funds to states using a need-based formula similar to one used under JTPA.¹⁹

There have been proposals for other new block grants in recent Congresses. The 105th Congress considered creating a block grant for homeless assistance programs. This measure, which was passed by the House of Representatives but not the Senate, would have consolidated existing homeless housing programs into a single block grant.²⁰ The 106th Congress proposed several education block grants. Two proposals would have repealed several current federal education assistance programs, including Goals 2000 and Title VI “Innovative Education Programs,” and authorized a new block grant distributed directly to local education agencies. Under these two proposals, which neither chamber of Congress passed, the local education agencies would have broad discretion in using the grant funds.²¹

Additional Reading

CRS Report RS20669, *Federal Grants to State and Local Governments: Overview and Characteristics*, by Ben Canada.

CRS Report RL30705, *Federal Grants to State and Local Governments: A Brief History*, by Ben Canada.

CRS Report RL30778, *Federal Grants to State and Local Governments: Concepts for Legislative Design and Oversight*.

¹⁸87 Stat. 839.

¹⁹For more information on the Workforce Investment Act of 1998 (WIA), see CRS Report 97-536EPW, *Job Training Under the Workforce Investment Act: An Overview*, by Ann Lordeman.

²⁰see “Homeless Housing Programs Consolidation and Flexibility Act,” H.R. 217, 105th Congress.

²¹see “Direct Check for Education Act,” S.52 and H.R. 995, 106th Congress.

Table 1. Current Federal Block Grants

Program	CFDA Number	Recipient	Matching Requirement	FY2000 Appropriation (in millions)	CRS Report
Rural Community Advancement Program	N/A	states	States receive 5% of RCAP allocation without matching, second 5% must be \$1 for \$1 match	\$72	RL30501
Child Care Development and Assistance	93.575	states	none	\$1,183	RL30503 RL30021
Community Mental Health Block Grants	93.958	states	none	\$356	RL30503 RS20623
Community Service Block Grants	93.569	states	none	\$528	RS20124
Low Income Home Energy Assistance	93.568	states	none	\$1,100	94-211
Maternal and Child Health Services	93.994	states	none	\$710	97-350
Substance Abuse Prevention and Treatment	93.982	states	none	\$1,600	RS20623
Preventive Health and Health Services Block Grant	93.991	states	none	\$179	
Social Services Block Grant	93.667	states	none	\$1,775	94-953
Temporary Assistance to Needy Families	93.558	states	Maintenance of Effort requirement of 75% to 80% of previous year expenditure	\$16,489	RL30675 IB93034
Innovative Education Program Strategies	84.298	states	none	\$380	RL30503 IB98013
Community Development Block Grants	14.218 (entitlement) 14.228 (states)	entitlement cities and counties (70%) states (30%)	none	\$4,800	96-503 IB10064

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Program	CFDA Number	Recipient	Matching Requirement	FY2000 Appropriation (in millions)	CRS Report
HOME Program	14.239	participating metropolitan cities and counties (60%); participating states (40%)	25% (requirement may be waived for fiscally distressed communities)	\$1,600	RS20527
Indian Housing Block Grants	14.867	federally recognized tribes	none	\$620	RS20527
Drug Control and System Improvement Grants	16.579	states and local governments	25%	\$500	97-265
Juvenile Crime Accountability Incentive Block Grants	16.523	states and local governments	50% match for construction projects	\$238	RS20539
Local Law Enforcement Block Grants	16.592	states and local governments	10%	\$498	RS20539
Workforce Investment Act/Job Training Partnership Act (Titles IIB and IIC) ^a	17.250 (JTPA)	states	none	\$1,951	RS20244
Federal Mass Transit: Urbanized Area Formula	20.507	metropolitan planning organizations	capital 20%; operating 50%	\$3,050	RL30508 IB10032
Surface Transportation Program	N/A	states	20%	\$5,319	RL30508 IB10032

^a The Workforce Investment Act (WIA) replaced the Job Training Partnership Act (JTPA) in FY2000.

Table 2. Appropriations for Current Federal Block Grants
(in millions of dollars)

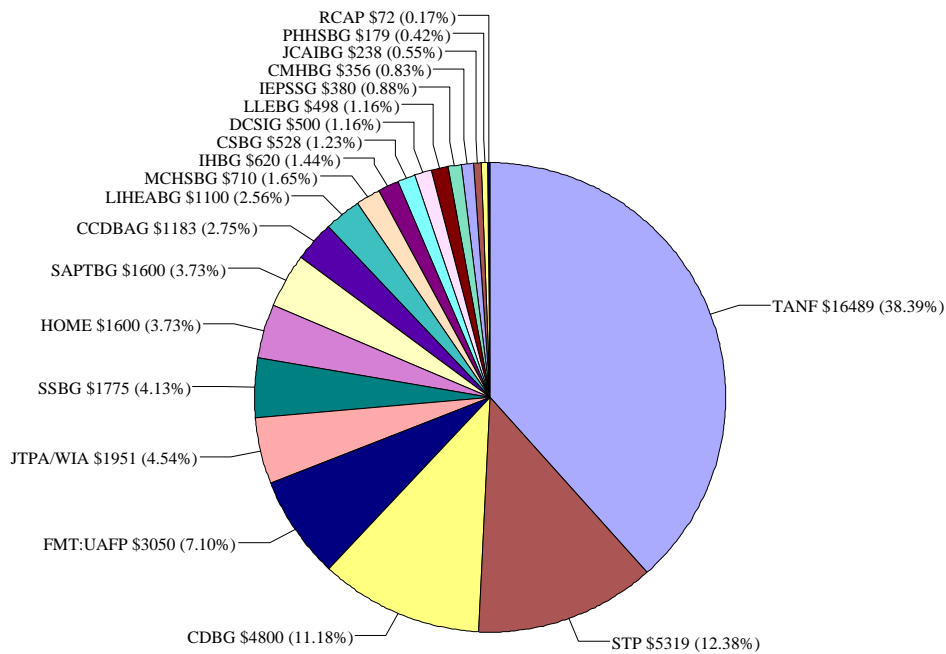
Program	FY1998	FY1999	FY2000
Rural Community Advancement Program	\$65	\$72	\$72
Child Care Development and Assistance	\$999	\$997	\$1,183
Community Mental Health Block Grants (Performance Partners)	\$275	\$289	\$356
Community Service Block Grants	\$490	\$500	\$528
Low Income Home Energy Assistance Block Grants	\$1,000	\$1,100	\$1,100
Maternal and Child Health Services Block Grants	\$683	\$700	\$710
Substance Abuse Prevention and Treatment Block Grant	\$1,301	\$1,585	\$1,600
Preventive Health and Health Services Block Grants	\$150	\$150	\$179
Social Services Block Grants	\$2,299	\$1,909	\$1,775
Temporary Assistance to Needy Families ^a	\$16,489	\$16,489	\$16,489
Innovative Education Program Strategies State Grants	\$350	\$375	\$380
Community Development Block Grants	\$4,674	\$4,750	\$4,800
HOME Program	\$1,500	\$1,600	\$1,600
Indian Housing Block Grants	\$600	\$620	\$620
Drug Control and System Improvement Grants (Byrne Programs)	\$463	\$505	\$500
Juvenile Crime Accountability Incentive Block Grants	\$250	\$250	\$238
Local Law Enforcement Block Grants	\$523	\$523	\$498
Job Training Partnership Act (Title IIB and IIC)/Workforce Investment Act ^b	\$1,085	\$1,085	\$1,951
Federal Mass Transit: Urbanized Area Formula Program	\$2,000	\$2,850	\$3,050
Surface Transportation Program	\$5,818	\$5,818	\$5,319
TOTAL	\$41,014	\$42,167	\$42,948

^a Figure does not reflect supplemental and award grants.

^b The FY1998 and FY1999 appropriations data reflect JTPA youth training programs, the block grant portion of JTPA. The FY2000 appropriations data reflect WIA youth and adult programs, which are all structured as block grants.

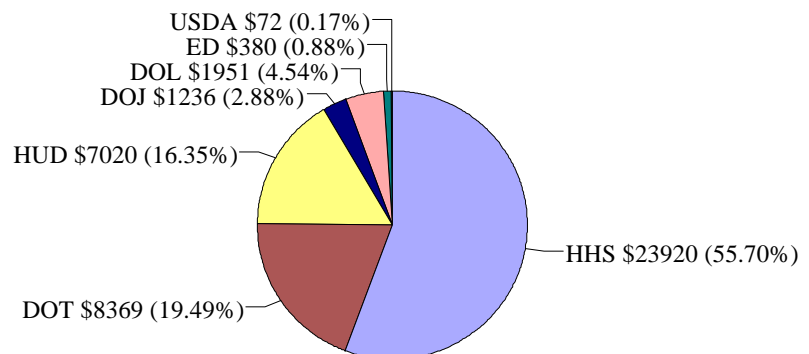
Block Grant Funding by Program

2000 Appropriations (in millions)



Block Grant Funding by Agency

2000 Appropriations (in millions)



**Block Grant Funding as a Percentage of
Total Grants-in-Aid Funding**

